

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 SCEM-02 NEA-10 L-03 H-03 DODE-00 PA-04

USIA-15 PRS-01 PM-07 DRC-01 CG-00 /182 W

----- 014447

R 040357Z JAN 74

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 2269

INFO AMCONSUL BRISBANE

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMEMBASSY SINGAPORE

AMCONSUL SYDNEY

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

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E.O. 11652: N/A

TAGS: ENRG, ETRN, AS, JA

SUBJ: MINISTER CONNOR SPEAKS ON BUNKER SHORTAGE

REF: (A) CANBERRA 6669 (B) CANBERRA 6667

1. SUMMARY: IN LENGTHY DEC. 30 PUBLIC STATEMENT, MINERALS AND ENERGY MINISTER CONNOR REVIEWED OIL SITUATION IN AUSTRALIA IN GENERALLY OPTIMISTIC TERMS. HOWEVER, CONNOR HAD VERY STERN COMMENTS ABOUT THREAT TO AUSTRALIAN TRADE FROM BUNKER SHORTAGE, WHICH HE APPEARS TO BLAME ON OVERSEAS OIL AND SHIPPING COMPANIES RATHER THAN ARAB PRODUCING
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COUNTRIES WHICH HAVE CUT PRODUCTION. HE HINTED AT GOA

ACTION TO REMEDY SHORTAGE. END SUMMARY.

2. CONNOR OBSERVED THAT AUSTRALIA'S BUNKER SHORTAGE, THE ONLY PROBLEM THE COUNTRY NOW FACES DUE TO WORLD OIL CRISIS, RESULTS FROM SEVERAL FACTORS. MOST NOTABLE ARE THAT: (A) AUSTRALIA IS WHOLLY DEPENDENT ON IMPORTED CRUDES FOR BUNKER; (B) TRADITIONALLY ONLY 10 PER CENT OF NATION'S OVERSEAS TRADE BUNKERING REQUIREMENTS HAVE BEEN MET LOCALLY; AND (C) AUSTRALIA IS ALMOST EXCLUSIVELY DEPENDENT ON OVERSEAS OWNED SHIPPING FOR ITS EXPORT AND IMPORT TRADE. CONNOR STATED THAT MAJOR OVERSEAS SHIPPING FIRMS ALL HAVE CONTRACTUAL RIGHTS TO BUNKER AT ANY WORLD PORT WHERE THEIR SUPPLIERS HAVE STORAGE SUPPLIES AND THAT "IN ALL CASES" MAJOR OIL COMPANIES SUFFERING OAPEC-INSTIGATED SUPPLY CUTS "HAVE ALTERNATIVE SOURCES OF SUPPLY WHICH MINIMIZE GREATLY THE EFFECTS OF THE MIDDLE EAST CUTS." THE MINISTER THEN SUMMED UP HIS CASE BY ASSERTING: "NOT ONLY IS AUSTRALIA BEING SEVERLY DISADVANTAGED BY LONG STANDING BUNKERING PRACTICES OF OVERSEAS SHIPPING ENGAGED IN HANDLING OUR EXPORT TRADE, BUT IN ADDITION THE 90 PERCENT OF BUNKERING SUPPLIES NEEDED FOR AUSTRALIAN...TRADE ARE STILL GOING TO OVERSEAS SHIPPING COMPANIES, MINUS OAPEC CUTS IMPOSED. THESE SHIPPING COMPANIES IN TURN HAVE DECIDED, IN MANY CASES, THAT THEY CAN MAXIMIZE THEIR PROFITS BY REDUCING THEIR LONG VOYAGES TO AUSTRALIA, AND INCREASING THEIR FREIGHT CHARGES ON SHORTER VOYAGES USING BUNKERS LEGITIMATELY NEEDED BY AUSTRALIA WITH MAXIMUM BENEFIT TO THEMSELVES."

3. CONNOR SAID GOA HAS REQUESTED "IN THE STRONGEST TERMS" THAT MAJOR OIL COMPANIES LOCATE IN AUSTRALIA "A PROPER PORTION OF BUNKERING FUEL SUPPLIES CONSISTENT WITH AUSTRALIA'S EXPORT AND IMPORT REQUIREMENTS." HE SAID A REPLY TO THIS REQUEST IS URGENTLY AWAITED AND PROMISED THAT "FIRMEST ACTION" WILL BE TAKEN TO ENSURE AUSTRALIA NOT FURTHER DISADVANTAGED BY DENIAL OF BUNKER.

4. ON MORE CHEERFUL NOTE, CONNOR SAID THAT THERE ARE NO SECRET PLANS FOR RATIONING OIL PRODUCTS AND THAT, LIMITED OFFICIAL USE

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AT PRESENT CONSUMPTION RATES, AUSTRALIA HAS ADEQUATE SUPPLIES OF GASOLINE, KEROSENE AND DISTILLATES, INCLUDING LIGHTER FUEL OILS. "ALL OIL STORAGE STOCKS IN AUSTRALIA ARE AT FULL CAPACITY", HE NOTED. GOA CONTINUES TO MONITOR LOCAL FUEL SITUATION CLOSELY.

5. CONNOR SAID THAT JAPAN HAD ASKED AUSTRALIA TO SUPPLY FULL BUNKERS FOR RETURN VOYAGE OF VESSELS IN JAPAN/

AUSTRALIA BULK TRADES, ALTHOUGH PREVIOUSLY ALMOST ALL SUCH BUNKERING HAD OCCURRED IN JAPAN. IN REPLY, THE MINISTER SUGGESTED THAT "BY RATIONALIZING AND RE-ROUTING THEIR VESSELS TO PURCHASE MORE AUSTRALIAN IRON ORE AND COAL" (I.E. AT EXPENSE OF MORE DISTANT SUPPLIERS) JAPAN COULD "COMFORTABLY" COPE WITH OIL CUTS. THIS "PROPOSAL" STILL UNDER CONSIDERATION BY JAPAN WHILE FLOW OF IRON AND COAL BULK SHIPS FROM JAPAN TO AUSTRALIA CONTINUES, CONNOR AVERRED. SIMILAR "DISPROPORTIONATE" REQUESTS HAVE BEEN MADE FOR FUEL IN AUSTRALIA FOR SHIPS HANDLING NON-JAPANESE TRADE IN WHAT CONNOR CALLED "A NEW GAME KNOWN AS 'BEGGAR MY BUNKERING NEIGHBOR'". HOWEVER, MINISTER LEFT NO DOUBT HE EXPECTS OVERSEAS OIL AND SHIPPING COMPANIES RATHER THAN GOA TO COPE WITH SITUATION.

6. EMBASSY COMMENT: CONNOR'S BLUNT EFFORTS TO BLAME OVERSEAS COMPANIES FOR BUNKER SHORTAGE, WHICH COULD WELL HURT AUSTRALIAN TRADE, NOT SURPRISING IN VIEW HIS DISLIKE FOR PRIVATE COMPANIES, PARTICULARLY FOREIGN, AND HIS WISH NOT TO OFFEND ARAB OIL SUPPLIERS. HIS THREAT OF "FIRMEST ACTION" (PARA 3) TO ENSURE BUNKER SUPPLIES MAY PRESAGE A DIRECT GOVERNMENT-TO-GOVERNMENT DEAL BY GOA WITH ARABS, A MOVE WELL IN TUNE WITH MINISTER'S POLITICAL VIEWS. CONNOR'S THESIS THAT COMPANIES DIVERTING BUNKER OVERSEAS FROM AUSTRALIAN TRADE FOR GREATER PROFITS IS BIT HARD TO SWALLOW IN LIGHT OF WORLDWIDE BUNKER SHORTAGE. IT APPEARS VERY DOUBTFUL THAT OIL COMPANIES CAN INCREASE LOCAL SUPPLIES OF BUNKER APPRECIABLY NO MATTER HOW LOUDLY THE MINISTER THUNDERS AT THEM. CONNOR IS DUE TO MEET AGAIN SHORTLY WITH LOCAL OIL INDUSTRY SUPPLY COMMITTEE (REF A) AND EMBASSY WILL REPORT SIGNIFICANT DETAILS. HARROP

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FUEL OIL, REFUELING, SHIPS, PETROLEUM, SUPPLIES, FOREIGN RELATIONS, FOREIGN INVESTMENT, SPEECHES
Control Number: n/a
Copy: SINGLE
Draft Date: 04 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CANBER00064
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: CANBERRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740163/aaaacgvs.tel
Line Count: 146
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) CANBERRA 6669 (B) CANBERRA 6667
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2002 by shawdg>; APPROVED <08 JUL 2002 by morefirh>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MINISTER CONNOR SPEAKS ON BUNKER SHORTAGE
TAGS: ENRG, ETRN, AS, JA, XF
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005